The Real Estate ANALYST

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1942

Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies.... Surveys....Forecasts

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VOLUME XI

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

FORECASTS FOR 1942

IT has been the custom of Real Estate Analysts, Inc., to forecast in its January reports what it believes to be the most probable developments during the ensuing year for each of the factors affecting real estate and construction.

That it is difficult to forecast under present conditions is self-evident; nevertheless, decisions must be made by anyone dealing with real estate. To refuse to decide is in itself a decision to allow the present status to continue, which may or may not be the proper course to follow.

There are many phases of the present situation which we believe can be forecast with considerable confidence. We have indicated in the following pages the fields in which we think forecasts are possible and those in which we think they are little more than guesses.

Before going into the forecasts for 1942 it might be well to review some of the forecasts made a year ago. In the issue of the Real Estate Analyst of January 27, 1941, we stated the following:

> It seems to us, for instance, that nothing can happen either in Europe or in America during 1941 to halt our rearmament program. A defeat of Britain this spring would certainly not halt it. A compromise peace during 1941 would still leave a dominant Germany, which to most of us would be sufficient reason for a continuation of the present program. The entry of the United States into the war, which we think is quite probable, would only accelerate - if it could - the rapidity of American production. In other words, we believe that it is possible, with little risk, to make the basic assumption that industrial production in the United States will be at an all-time high in 1941. This will automatically result in various bottlenecks, some of which have already developed. Plant capacity in some industries will clearly be insufficient to take care of both rearmament and consumption demand. Skilled labor in many lines will not be available in sufficient quantities to take care of business "as usual" in fields not directly connected with defense.

In regard to real estate activity we said on page 21 of the January issue of last year that we expected the movement during this war to be quite different than it had been before. The exact quotation follows:

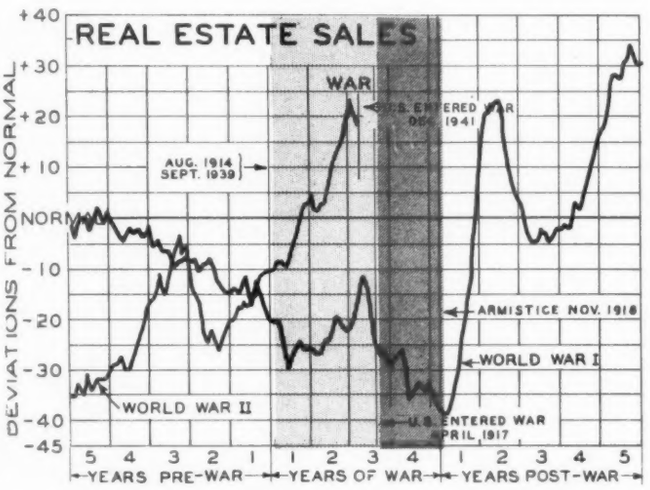
> In our forecast issue of January 25, 1940, we said, "War or no war, we expect real estate activity to increase now as the natural reaction from the lows of the 1930's. We think that in 1940 it will cross the normal

line." We crossed the normal line in June, and we have been above it ever since.

We believe that during 1941 the movement will probably be sideways for a while, but if the United States does not enter the war this year, we rather expect real estate activity to gain rapidly during the latter part of the year. Should the United States enter the war, a feeling of uncertainty would defer many capital investments, with a set-back in real estate activity.

It will be noticed from the chart in the Executive Digest that real estate activity went over sideways in January and February, then started to rise quite rapidly, but with the United States' entry into the war it tapered off, as indicated in the forecast of a year ago.

REAL ESTATE SALES

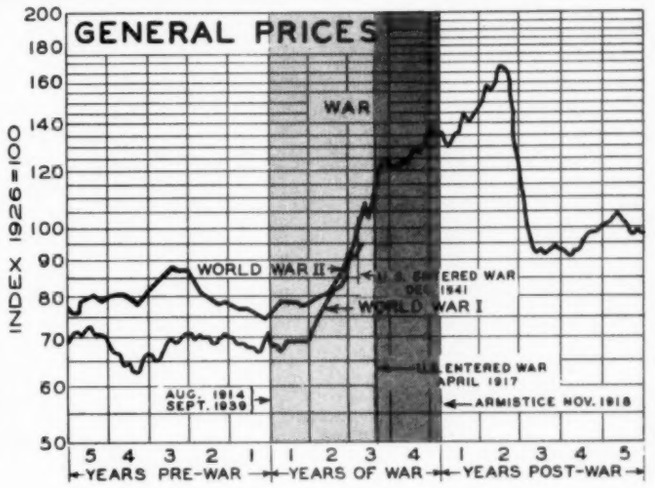


It is more difficult to forecast the volume of real estate sales for 1942 than it is to forecast any other item. It will be noticed from the chart to the right that the number of real estate sales was extremely low during our participation in World War I-dropping constantly until the armistice, after which an explosive rise occurred. This, however, was merely a continuation of the downward trend starting at least four years before the war started in Europe. In contrast, real estate sales started increasing in 1933, and from the middle of 1938 the rise had only minor interruptions in its rapid upward movement. There are many reasons for believing that the interruption occurring at the present time may be of considerable size. The uncertainty regarding draft status of many young married men will act as a strong deterrent to their purchase of homes in the next few months. On the other hand, the defense program is crowding many cities with defense workers employed at high wages. They cannot buy automobiles and many of the other semi-durable goods. They will have money to spend, and it is possible that enough of them will buy real estate to offset the other losses in sales. This offsetting increase in sales will occur only in defense cities. It seems the wiser course to wait several months more before forecasting too definitely the course of sales for 1942.

GENERAL PRICES

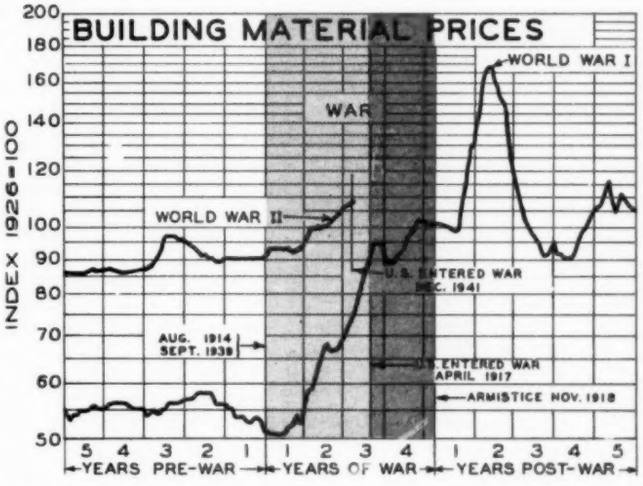
It will be easier to control prices in 1942 than it was in 1941. The entry of the United States into the war will bring greater attempts to comply with the Government's effort at price control than would have been possible before. It will be noticed on the chart at the top of the following page that prices rose much more slowly in World War I after the United States' entry than they did before. This was partially due to the attempted control, then under Bernard Baruch. It must be remembered, however, that the problem this time will be much greater than it was before. Our "all out" effort will use more raw materials and manpower. No attempt has been made to control wages, and agricultural price increases have been encouraged rather than retarded. The

unions are far stronger now than they were twenty-five years ago. While prices will rise more slowly than they did before, we think they will eventually rise further. Our debt will be many times its World War I height, and the carrying charges will be so high that they can be carried only on a price level high enough to shrink the interest and principal payments in relation to the national income. Of course, the higher the price level, everything else being equal, the higher the national income will be on a dollar basis.



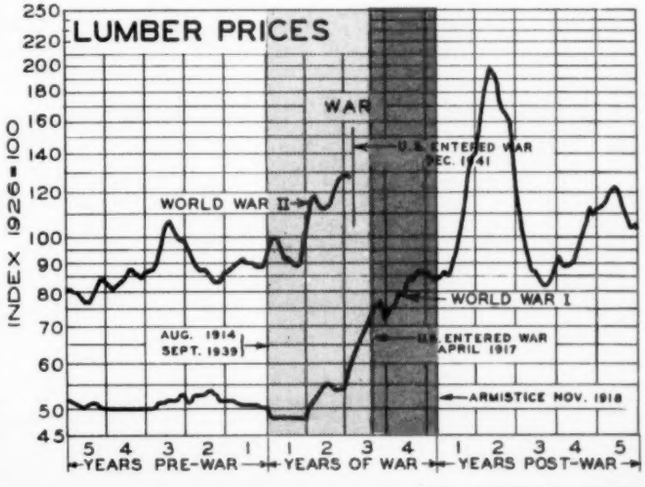
BUILDING MATERIAL PRICES

In our opinion building material prices will show little change during the first six months of 1942. Price ceilings will retard the upward movement which would otherwise take place rapidly. It will be noticed on the chart that the rapid rise in costs which started in 1915 stopped in May 1917, right after the United States entered the war. Prices were held within a relatively narrow zone for more than two years, with a net rise of only about 7% in that time. In the preceding two years the rise had been 73%, more than ten times as much. In the one year that followed the wartime control, building material prices rose by 70% to a peak, then fell rapidly for two years, losing more than all of this last gain. In a free market, of course, critical materials would rise in price until the demand would shrink to the supply. In a controlled market many critical materials just aren't available although a nominal price may be held in the index. Under these conditions the complaint might well be made that the index does not represent the actual situation.



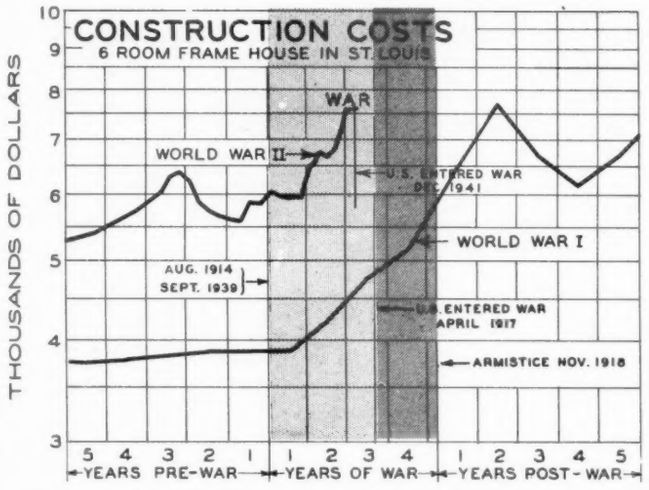
LUMBER PRICES

During the next three months lumber prices probably will not advance, because of price ceilings. These ceilings will prove too low and, in our opinion, will be revised upward from time to time. A heavy demand will be experienced for dimension lumber on account of new cantonments, industrial plants and defense housing. This demand will be concentrated in defense areas. Rising costs of transportation will help bring increased retail prices. The chart to the right is



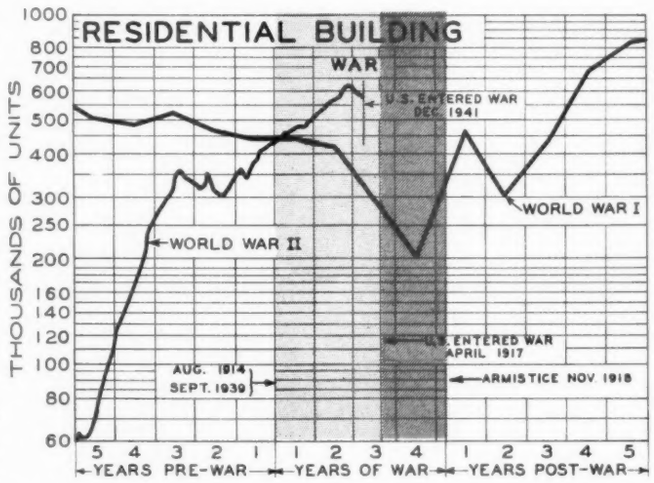
quite interesting as it shows the effects of attempted control on lumber prices during World War I; shortly after we entered the war lumber prices dropped, then they rose in a series of steps as different price-fixing provisions were gradually raised. The rise in lumber prices from the entry into the war until all price-fixing restrictions were removed was relatively slight in comparison with the rises that preceded and followed this price-fixing period.

RESIDENTIAL CONSTRUCTION COSTS



It appears quite probable that during the next few months the total cost of building a house will continue to rise but at a slower rate. Labor costs will increase faster than materials, and certain overhead costs are bound to increase. This does not mean that building costs are near the top. They will probably go much higher later. The cost of building the 6-room standard frame house in St. Louis during January was $7613, an increase of $21 over December 1941. There was a decrease of $42 in Sheet Metal (changed from copper to galv. iron); and of $3 in Overhead and Profit of Subcontractors. Tile Materials increased by $16; Unfinished Lumber, $1; Finished Lumber, $7; Plumbing, $16; Electrical Work, $4; labor for Mason Materials, $18; labor for Miscellaneous, $2; General Contractor's Profit, $2. All other items remained as they were shown in the December Analyst. In our opinion an increase of from $300 to $500 during 1942 is probable.

RESIDENTIAL BUILDING

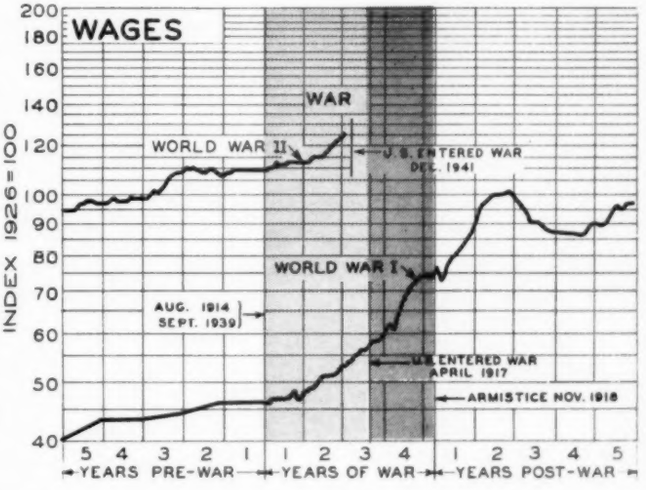


The peak of residential building was reached last September. In the twelve months ending in September, 620,000 dwelling units were built in non-farm areas of the 48 states. By December the total for the year had dropped to 578,000. It will not pass the September level until after the end of the war. Our present guess for 1942 is 450,000 dwelling units, but this year this guess means very little, as the amount of building actually done will depend almost entirely on Government policies, which may be changed overnight. Last year our estimate was 600,000 units for 1941; and the actual figure of 578,000 comes within 4% of our forecast. We believe that the total of all types of construction will equal or exceed the total for 1941. It will be concentrated, however, on defense projects in defense areas. We believe that non-defense building of all types will be frozen early in 1942.

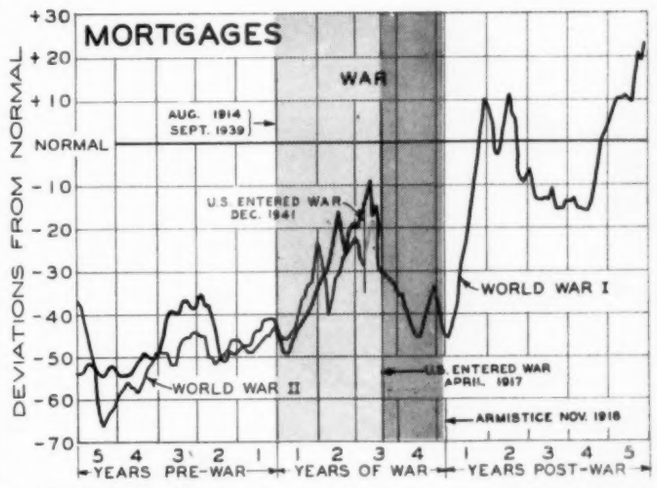
WAGES

It apparently is not politically feasible to include control of wages in any price control legislation which Congress will vote or the President will sign.

This means that wages will continue to rise. We think that the rise will be more rapid than it was in the last war as the demand for defense workers will be greater, the number of men withdrawn from industry will be greater, and labor is better organized than it was twenty-five years ago. The general level of wages of all types is 121% higher than it was in April 1917 when the United States entered the World War I. The wage level as it is charted here is based on wage payments of all types, including the salaries of lower paid office workers, school teachers, government employees, mechanics, etc. It is our opinion that 1942 will see an increase in this barometer of from 15% to 20%. In the first full year of the United States' entry into World War I the index rose by 22%. The rise in the latter part of this time was far more rapid than it was in the earlier part.

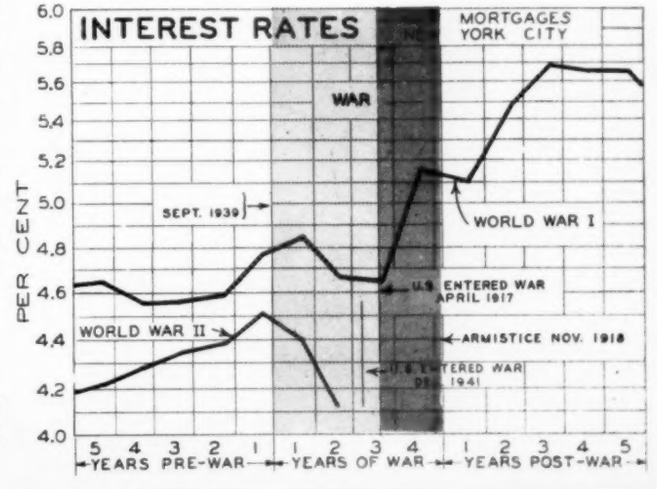


REAL ESTATE MORTGAGES The number of real estate mortgages recorded in 1942 will be lower than the 1941 total. The number of mortgages made depends to a large extent on the amount of private residential building. The dollar total of mortgages will not be off by as much as the number, as many buildings other than residences will be built for defense purposes, some with large mortgages. Since the line on our chart is based on the number rather than the value, it will drop sharply. Notice how sharply it dropped with our entry into World War I. If real estate sales hold up better than they did before, and it seems likely that they will, mortgages should not show as sharp a drop. Mortgage volume in 1941 will remain the record for the recovery period until after the war is over.



INTEREST RATES It will be noticed that in the World War I period interest rates did not start their rapid rise until the U. S. entered the war and was faced with the necessity of raising large amounts of money. This time the Government must raise much larger amounts than have ever been raised before in any country. The difficulty all borrowers are going to have in the period ahead is that the purchasing power of the money they borrow will decrease faster than

(continued on page 27)



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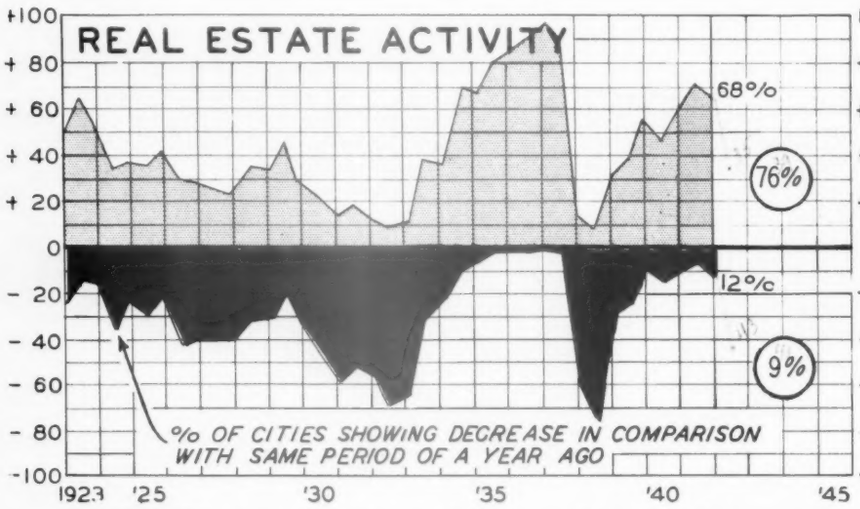

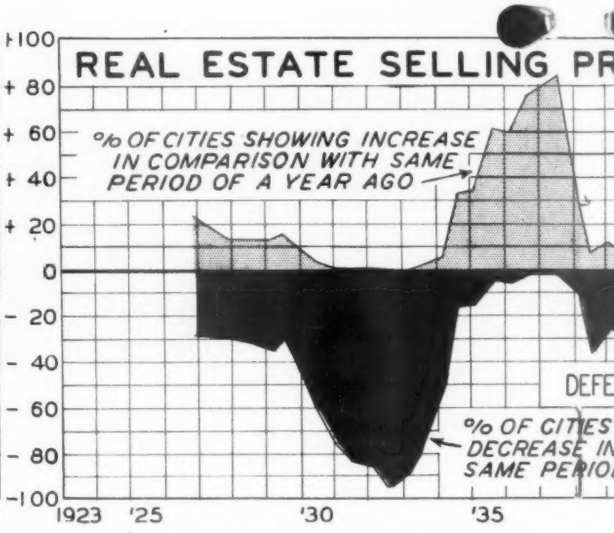

THESE charts show the results of the survey by the National Association of Real Estate Boards. We suggest that you read the explanatory material on p.26 before studying them.

The first chart shows real estate activity. The movement is still upward, though slightly less wide-spread than as reported 6 months ago. 68% of the cities reported higher market activity in comparison with the same period last year.

12% of the cities reported less ac
20% reported no change. The rise
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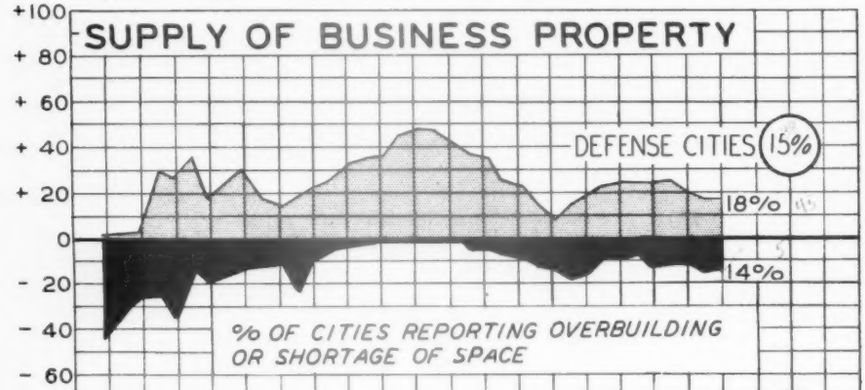

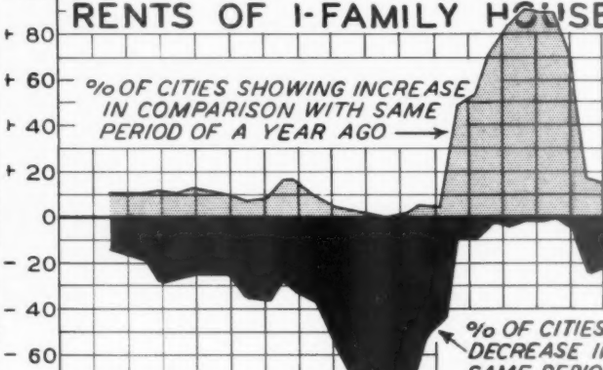

The supply of business property is shown on the chart above. 18% of the cities reporting still report an over-supply, while 14% report a shortage.

There was no over-supply reported in either the Northwest or Southwest regions. The most frequent shortages were in the Northwest. Only 22% of the cities over 500,000 population report an over-supply as compared to 50% 6 months ago.

The chart above shows that
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In defense areas 87% repor
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ES OF 248 CITIES REPORTING INCREASES

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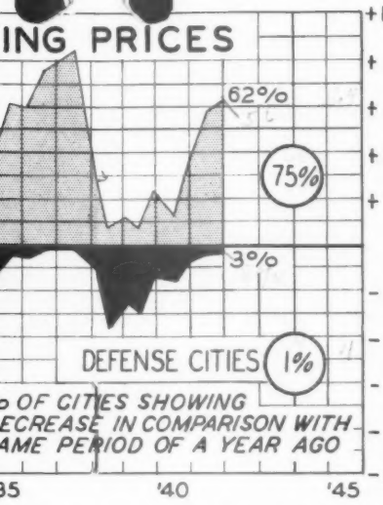

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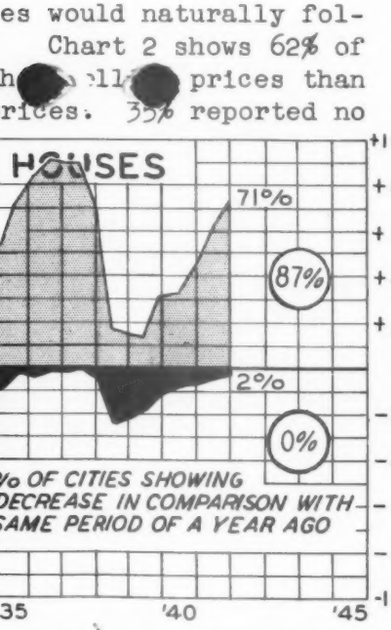

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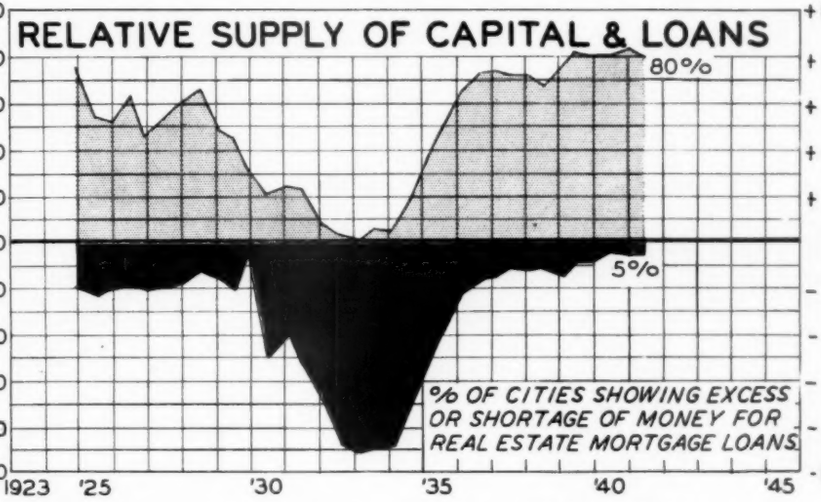
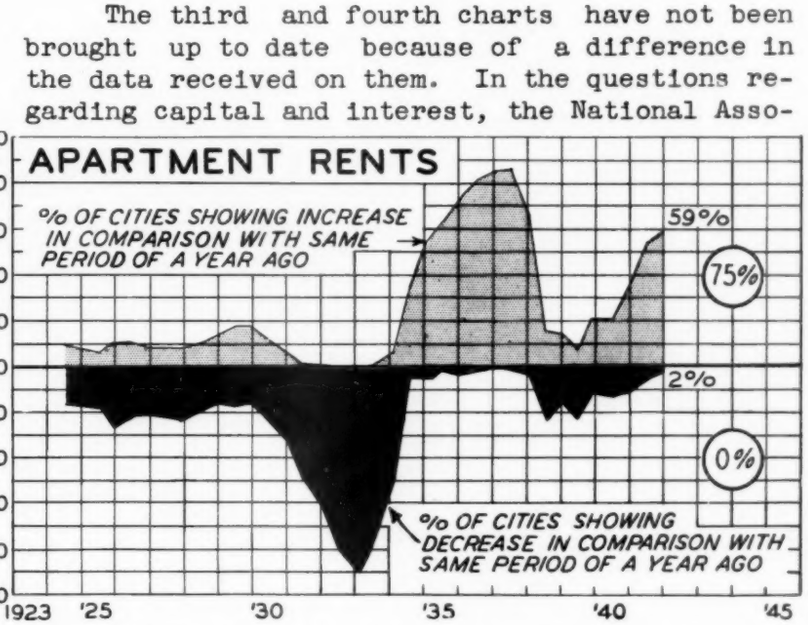


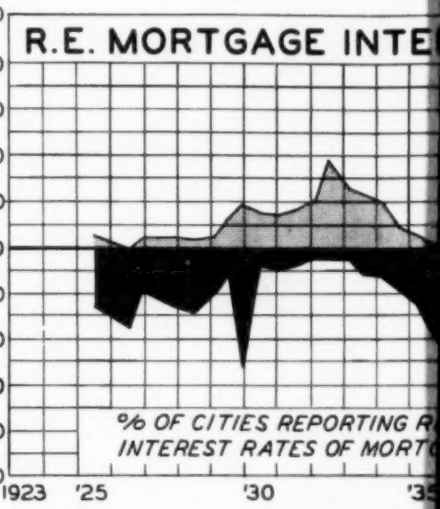
change in comparison with the levels of the previous year. In defense areas, 75% report higher prices and only 1% lower prices. Cities of between 100,000 and 200,000 made the best showing with 83% of them reporting higher prices.

The third and fourth charts have not been brought up to date because of a difference in the data received on them. In the questions regarding capital and interest, the National Asso-



59% of the cities reported apartment rents moving upward. 39% reported them stationary, and only 2% reported a downward movement. None of the defense areas reported a decrease in rents as compared with December 1940.

The greatest percentage of cities reporting rents dropping (10%) was in New England. No city over 100,000 in population reported a decrease.



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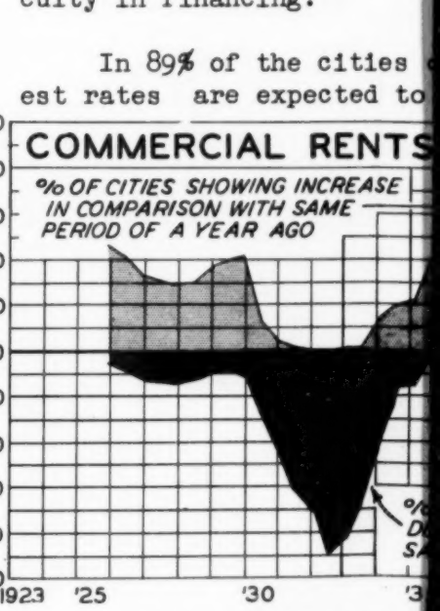

Business property rent
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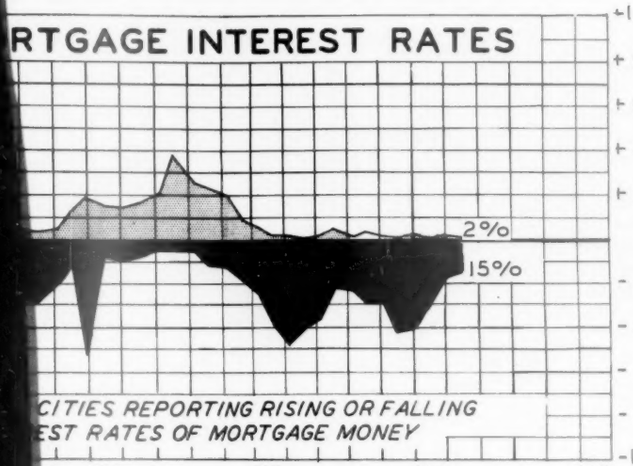

ked for the probable future develop-
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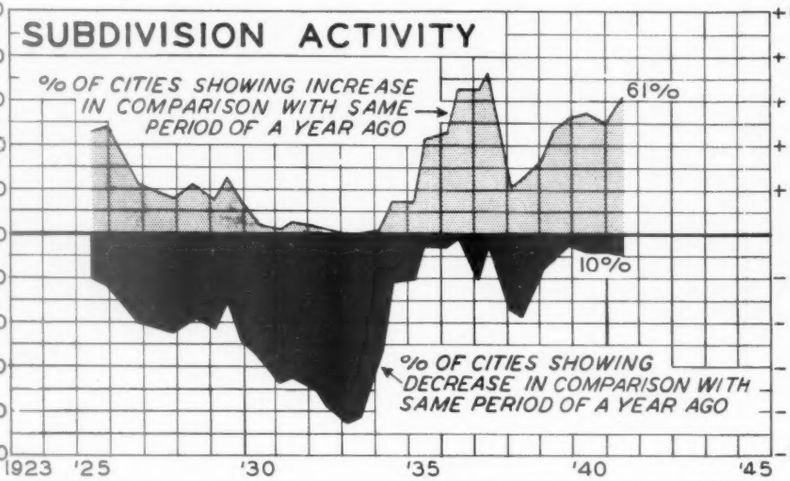
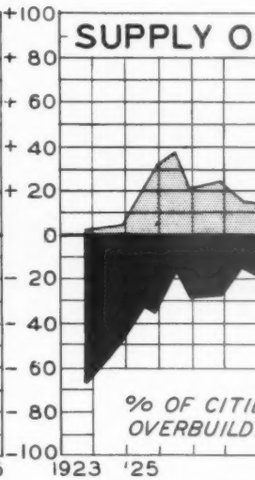


1% of the cities look for higher rates, while 10% anticipate lower interest costs. There is no difference between defense and non-defense areas in this matter. It is interesting to note that it is the largest cities that feel that interest on real estate loans may go higher. One-fourth of these cities over 500,000 population look for higher costs.

The question regarding subdivisions was not



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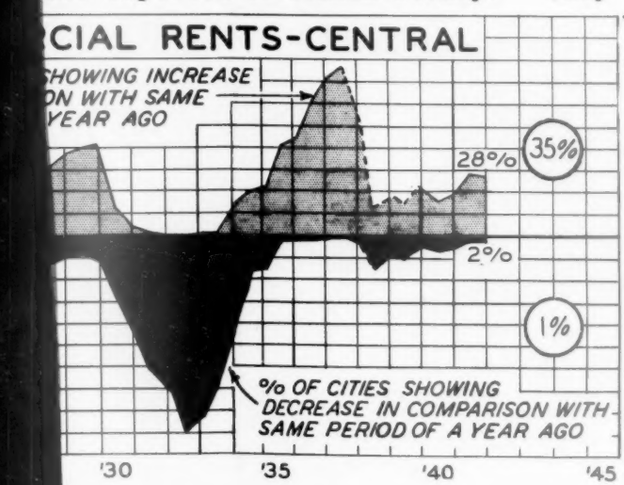

property rentals - both in central
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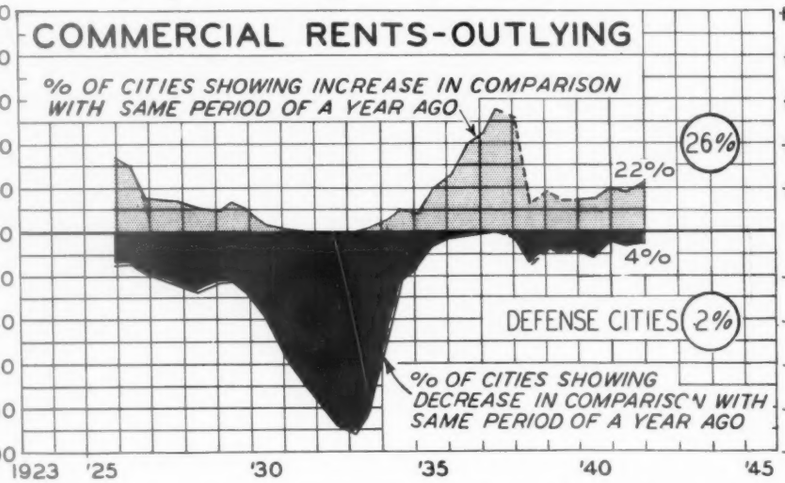
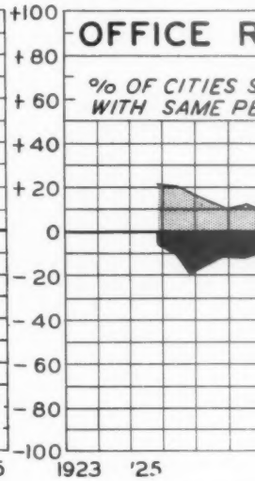


The chart above shows that 74% of the 248 cities reported the same rentals in outlying commercial properties. 4% of the cities reported decreases, while 22% of them reported higher rentals.

Higher rents were reported by 41% of the cities of from 100,000 to 200,000 population. The largest percentage of decreases was reported by cities of the Northwest region.



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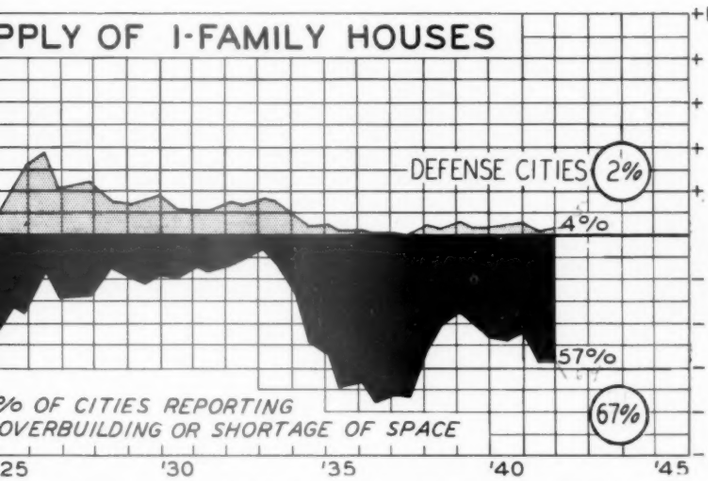
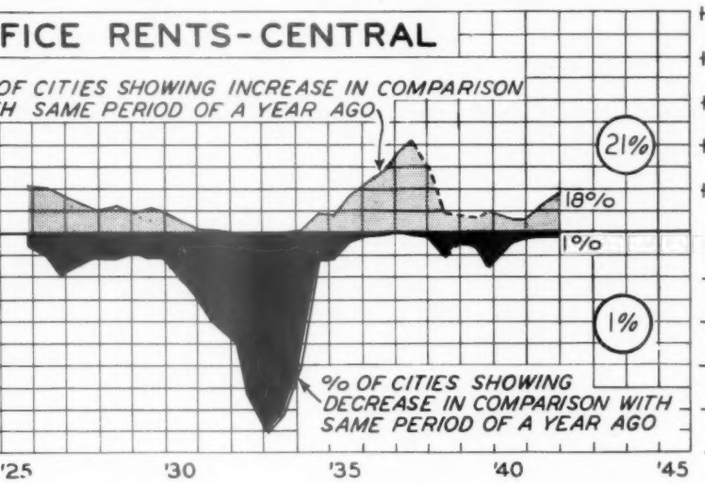


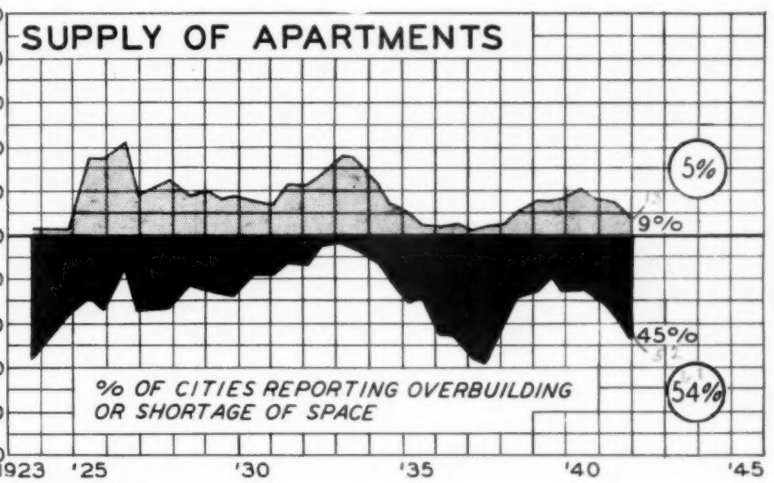
d. However, subdivision activity, except in gnated defense areas, has fallen off because he restrictions on building.

The chart above shows that 4% of the cities eved they had an over-supply of one-family llings, 57% reported shortages, while 39% the supply was normal. The greatest amount ver-building was reported in the New England ion; the greatest shortage existed in the



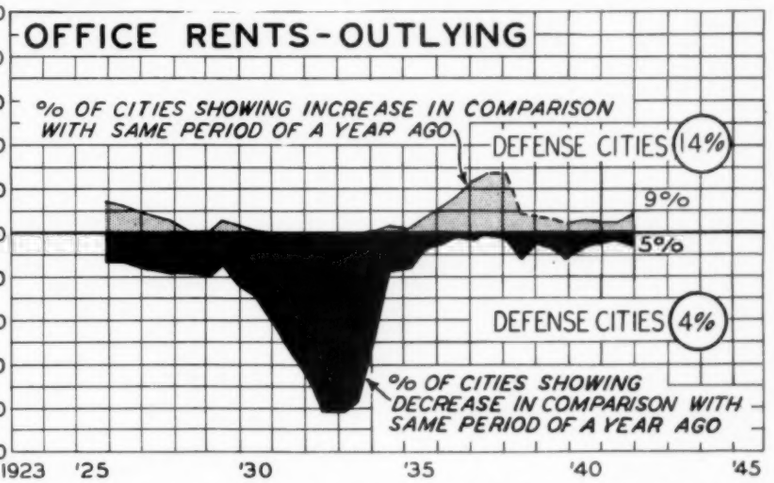
Office rentals were reported rising in 18% the cities, while 81% reported no change. 1% reported falling rents.

As with rentals of business property, the atest percentage of cities reporting increas- (34%) were cities of from 100,000 to 200,000 ulation. No city of over 100,000 reported er rents in office buildings, in either cen- l business districts or subcenters.



Northwest region.

The seventh chart shows that 9% of the 248 cities believed they had an over-building of apartments, while 45% believed an actual shortage existed. 54% of the defense cities reported a shortage. The greatest shortages, as in other surveys, were in the New England and Great Lakes regions; the largest over-supply existed in the Northwest and North Central regions.



The chart above shows that in 86% of the cities, rents in outlying office buildings were stable. 9% of the cities reported rising rents, 5% reported falling rentals.

22% of the cities in the North Central region reported decreases; no city in this region reported higher rentals. The greatest percentage of cities reporting increases (20%) was in the group from 200,000 to 500,000 population.

PERCENTAGE OF CITIES REPORTING INCREASES OR DECREASES IN VARIOUS REAL ESTATE FACTORS

THE fourteen charts on the preceding pages show the results of the semi-annual surveys made by the National Association of Real Estate Boards among its member boards throughout the United States. The member boards report their experience or opinion of the change in conditions over the same period of the preceding year without giving an estimate of the amount of change. On our charts the percentage of all cities reporting improved conditions in comparison with a year ago is shown in black. The percentage of all cities reporting conditions worse than a year ago is shown in red. The figure given in the circle on the charts indicates the percentage change in defense cities only.

The real estate board surveys show the geographically wide-spread nature of the changes rather than their intensity. We believe both concepts are valuable, as long as their basic difference is kept in mind.

This survey made just before the U.S. entered the war is valuable in that it gives a picture of our remaining industrial supply and shows the relationship between building supply, rents, construction costs and new production volume at the period when our basic war-time policies must be formulated. We have summarized some of the highlights of the data from the survey which could not be charted because of lack of previous material.

The immediate effect of the declaration of war was a hesitancy of capital and uncertainty as to any normal new construction. New home building is needed in 62% of the cities of the country and in 75% of defense-area cities to avert a housing shortage. In 70% of all cities, however, residential rents are insufficient to justify investment in rental housing at present construction costs. Despite price ceilings on certain lumber, etc., the actual costs of building homes have increased in the last six months in 99% of the cities of the country. The median increase has been 10%, but in one out of every five cities, costs went up 20%.

There is a present need for remodeling old houses in 85% of the cities of the country, and in 92% of cities in defense areas. The restrictions on the sale of autos and tires have put new emphasis on the value of dwellings in near-in neighborhoods and on existing car lines.

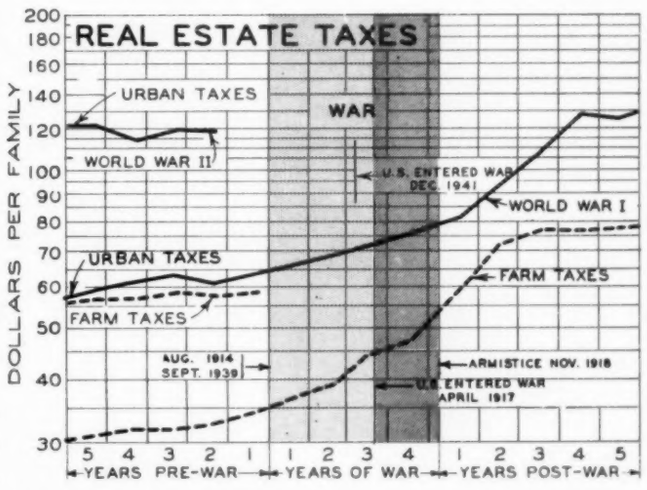
Although as of the date the U.S. entered the war, there was usable industrial space still available in 76% of the cities of the country, in more than half of them (53%) there was already a practical need for remodeling and reconditioning industrial space. Every movement toward intensification of the war effort adds to this need. Reconditioning is a speedy and economical way to provide room for industry, and government officials have already assured the Society of Industrial Realtors that financing aid will be available to them if remodeling or reconditioning plants is necessary to the war effort.

Significant in the Association's findings is the fact that 92% of the cities which have industrial structures that could practicably be remodeled or reconditioned, and 85% of the cities which have usable industrial structures available, also have dwellings convertible to modern use. In other words, use of existing industrial structures would tend to give defense workers in such plants housing already partially ready-made.

(continued from page 21)

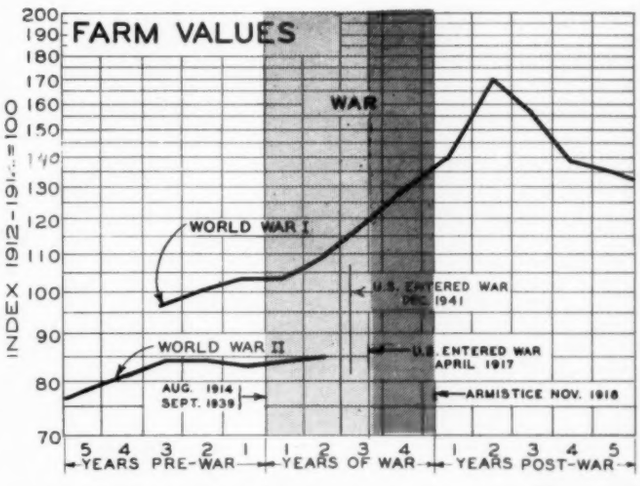
the percentage paid in interest. This becomes very unattractive to the lender as he actually pays the borrower to use his money. Four per cent interest is not much incentive, when the purchasing power of the money loaned declines by 7% a year as it did during the first World War. The fact that interest rates will not drop in the period ahead has considerable significance for real estate rents and values. During the last seven years they have dropped, and this drop has gone far toward offsetting increases in construction costs. In the future any increases in construction costs will not be offset by lower interest rates.

REAL ESTATE TAXES



Many cities, because of defense activities and the necessity of paying higher wages and salaries, will need additional revenue in 1942. Real estate will be reasonably profitable and both urban and rural real estate taxes will advance in most cities. It will be noticed that both increased during the World War I period and continued to increase for a number of years later. We think that the most rapid rise in taxes will come several years after the conclusion of this war. It seems entirely probable at this time that changes will be made in basic legislation removing the tax-exempt qualities of municipal, state and Federal bonds. If these bonds are no longer tax-exempt, interest rates will rise on all new issues. This will increase the carrying charges and will make it necessary for a governmental group to get additional income. This will not make a great deal of difference, however, in 1942, as the new provision will apply only to new issues.

FARM VALUES

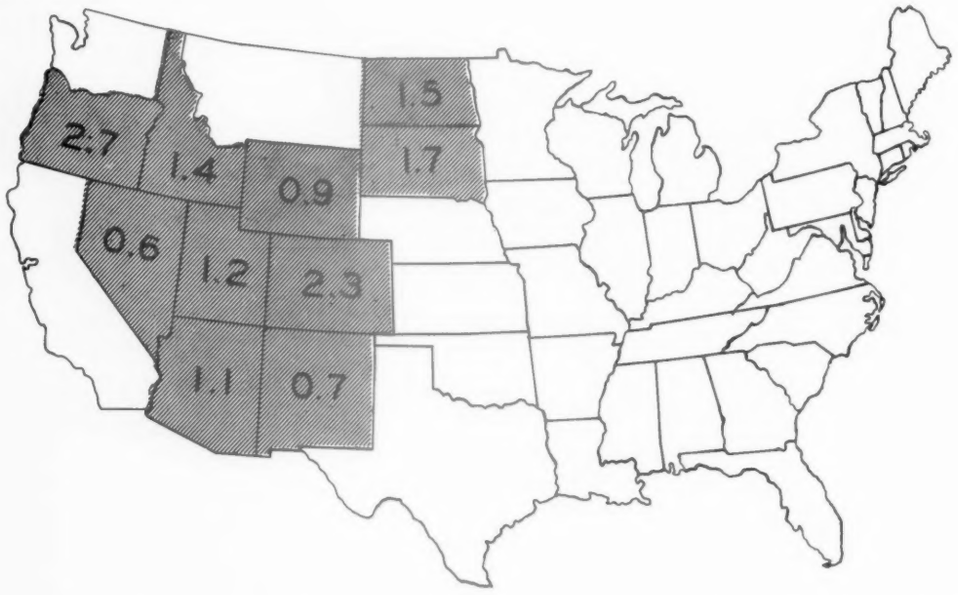


The attitude of Congress on the Price Control Bill has been described with varying degrees of sarcasm by editorial writers throughout the country and by President Roosevelt himself. Apparently the farm lobby has more strength with Congress than the present emergency. As long as Congress actually encourages price increases of food products rather than price control, any attempt at price control in the entire economy will eventually fail. The cost of food is a sizeable item in the working man's budget, and a spiralling of food costs will result in repeated requests for wage increases, which in turn will bring increases in the cost of manufacturing and in prices. These prices in turn will bring demands for still higher wages, and the inflationary cycle will proceed.

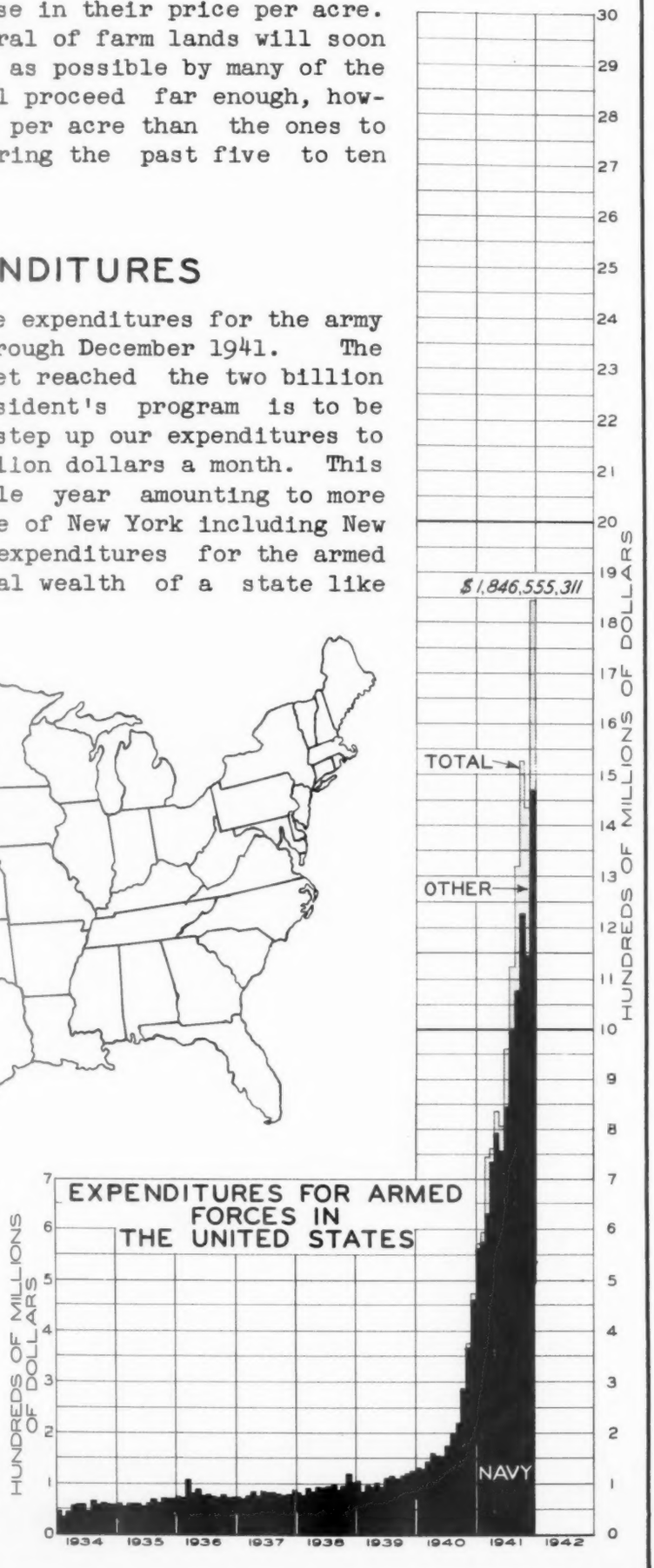
However, as long as farm products sell for higher and higher amounts, farms will increase in their price per acre. In our opinion an inflationary spiral of farm lands will soon get under way, restricted insofar as possible by many of the farm-financing agencies. It will proceed far enough, however, to insure much higher values per acre than the ones to which we have been accustomed during the past five to ten years.

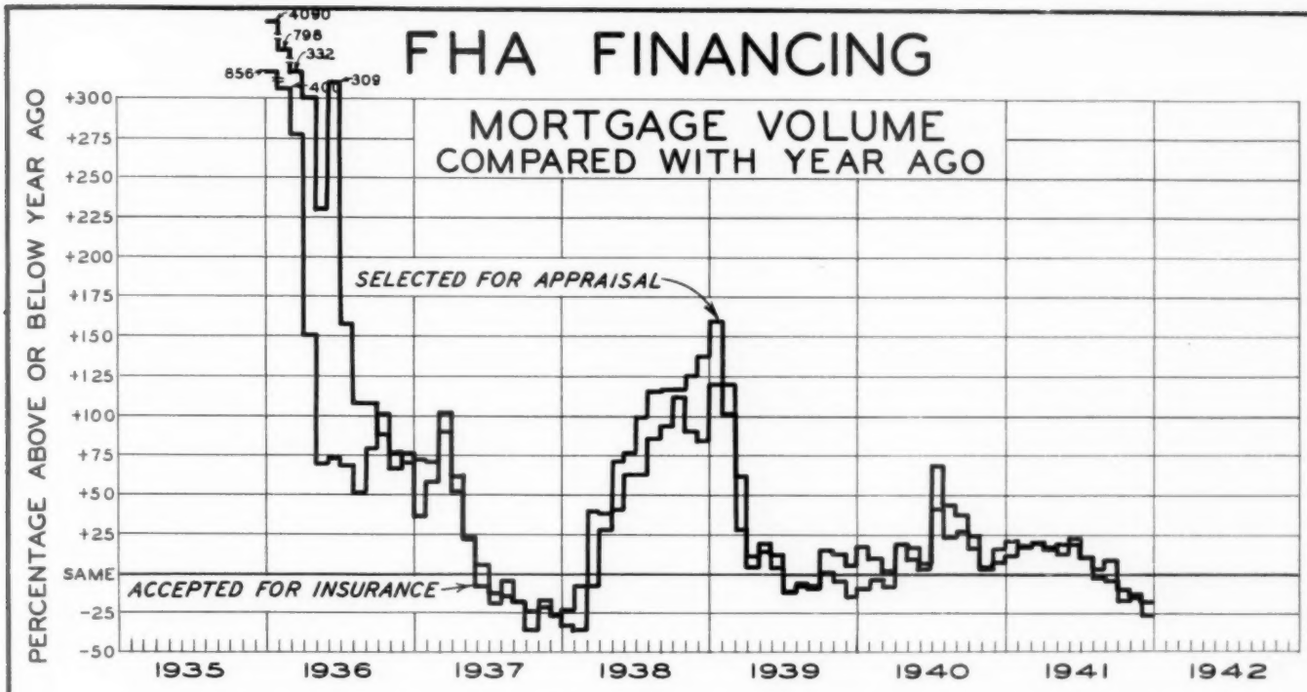
DEFENSE EXPENDITURES

THE chart to the right shows the expenditures for the army and navy from January 1934 through December 1941. The combined figures have not yet reached the two billion dollar a month rate. If the President's program is to be reached, it will be necessary to step up our expenditures to an average of practically five billion dollars a month. This will mean expenditures in a single year amounting to more than the total wealth of the state of New York including New York City. Every two months the expenditures for the armed forces will be equal to the total wealth of a state like Texas.



The map above shows the total amount we have spent on defense from July 1, 1940, through December 1941, expressed as the total wealth of the following states: Oregon, Idaho, Wyoming, North Dakota, South Dakota, Nevada, Utah, Colorado, Arizona and New Mexico. The immensity of these expenditures will make it almost impossible to control inflationary price movements during the next five years, especially since no wage control is contemplated.





THE REAL ESTATE ANALYST INDEX OF RESIDENTIAL RENTS

The table below shows advertised residential rent figures. All rents are expressed in dollars per month per room. This makes possible a comparison of rent levels between different cities, and in the same city between heated and unheated units. The twenty-six cities selected are typical cities scattered from coast to coast.

The index was computed by using a moving average for a two-year period with a heavier weighting on the last six months.

	1941														1942	
	June		July		Aug.		Sept.		Oct.		Nov.		Dec.		Jan.	
	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.	Res.	Apt.
National Index	$8.71	$11.88	$8.78	$11.90	$8.86	$11.96	$8.94	$12.01	$8.98	$12.06	$9.01	$12.10	$9.05	$12.19	$9.10	$12.19
Atlanta	8.25	11.30	8.32	11.30	8.44	11.44	8.49	11.43	8.49	11.53	8.54	11.60	8.57	11.70	8.61	11.70
Baltimore	8.25	10.76	8.46	10.91	8.61	11.00	8.86	11.18	8.91	11.30	8.80	11.40	8.81	11.50	8.86	11.49
Birmingham	6.79	10.01	6.80	10.01	6.97	10.03	7.15	10.03	7.35	10.02	7.54	10.09	7.75	10.13	7.88	10.15
Boston	8.52	14.45	8.65	14.61	8.73	14.69	8.86	14.91	8.98	14.96	9.04	14.98	9.14	15.00	9.22	14.90
Chicago	11.70	13.09	11.67	13.20	11.61	13.42	11.86	13.40	11.83	13.58	11.80	13.71	11.78	13.94	12.00	13.90
Cincinnati	10.40	12.98	10.42	12.99	10.48	13.00	10.60	13.01	10.59	13.10	10.59	13.11	10.59	13.16	10.55	13.12
Cleveland	10.25	13.15	10.36	13.29	10.46	13.42	10.53	13.52	10.64	13.61	10.73	13.73	10.73	13.80	10.68	13.85
Columbus	7.41	11.02	7.54	11.03	7.70	11.02	7.75	11.01	7.76	11.06	7.80	11.10	7.80	11.02	7.74	11.11
Denver	7.75	12.41	7.84	12.40	7.91	12.40	7.90	12.41	7.86	12.42	7.89	12.41	7.89	12.40	7.86	12.36
Detroit	9.80	12.10	9.96	12.19	9.73	12.32	10.10	12.58	10.02	12.62	10.00	12.66	10.03	12.79	9.93	12.91
Houston	7.88	10.23	7.91	10.20	7.97	10.19	8.02	10.19	8.04	10.19	8.09	10.15	8.16	10.12	8.28	10.08
Kansas City	6.39	7.12	6.46	7.19	6.51	7.23	6.53	7.35	6.48	7.48	6.43	7.63	6.47	7.75	6.42	7.86
Los Angeles	10.92	11.29	10.91	11.30	10.98	11.26	10.99	11.30	11.03	11.30	11.19	11.48	11.36	11.45	11.45	11.42
Milwaukee	9.05	10.86	9.09	10.89	9.20	10.88	9.25	10.98	9.41	11.13	9.38	11.16	9.43	11.20	9.42	11.21
Minneapolis	8.14	10.22	8.25	10.23	8.29	10.35	8.21	10.30	8.20	10.26	8.15	10.25	8.10	10.26	8.11	10.21
New Orleans	8.78	10.45	8.91	10.40	9.05	10.38	9.07	10.33	9.14	10.36	9.25	10.41	9.30	10.48	9.25	10.45
New York	12.42	19.08	12.40	19.16	12.60	19.35	12.70	19.39	12.77	19.39	12.69	19.29	12.70	19.21	12.65	19.18
Omaha	7.13	11.55	7.24	11.50	7.30	11.45	7.36	11.60	7.43	11.71	7.46	11.71	7.41	11.75	7.43	11.82
Philadelphia	7.36	14.18	7.38	14.26	7.46	14.25	7.50	14.30	7.58	14.25	7.54	14.21	7.59	14.21	7.60	14.19
Pittsburgh	9.28	12.33	9.28	12.36	9.31	12.58	9.30	12.69	9.40	12.69	9.44	12.60	9.42	12.56	9.38	12.49
Richmond	8.42	11.52	8.36	11.50	8.45	11.53	8.34	11.43	8.30	11.36	8.41	11.30	8.49	11.30	8.55	11.30
Saint Louis	8.48	10.92	8.60	10.89	8.91	11.00	9.03	11.03	9.09	11.10	9.15	11.29	9.14	11.48	9.21	11.67
Salt Lake City	7.84	10.78	7.91	10.70	8.07	10.80	8.10	10.70	8.19	10.69	8.17	10.90	8.22	11.01	8.30	10.90
San Francisco	9.89	13.00	9.91	12.98	9.95	12.98	9.90	12.91	9.90	12.90	9.85	12.93	9.99	12.99	10.00	13.00
Seattle	8.09	11.92	8.20	12.00	8.17	12.13	8.41	12.30	8.53	12.57	8.87	12.79	9.04	13.00	9.22	13.10
Tulsa	7.27		7.30		7.48		7.46		7.47		7.53		7.51		7.61	

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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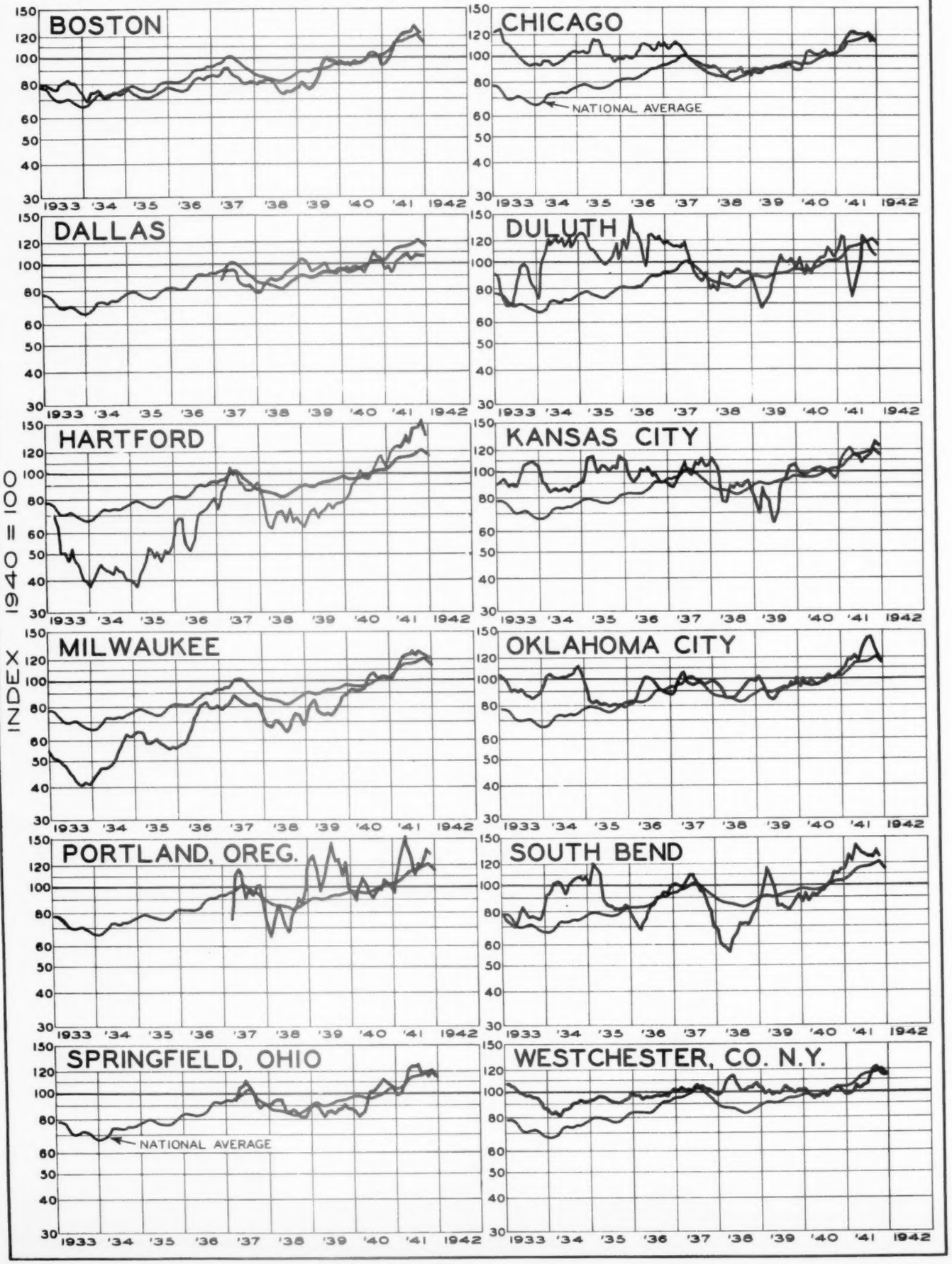
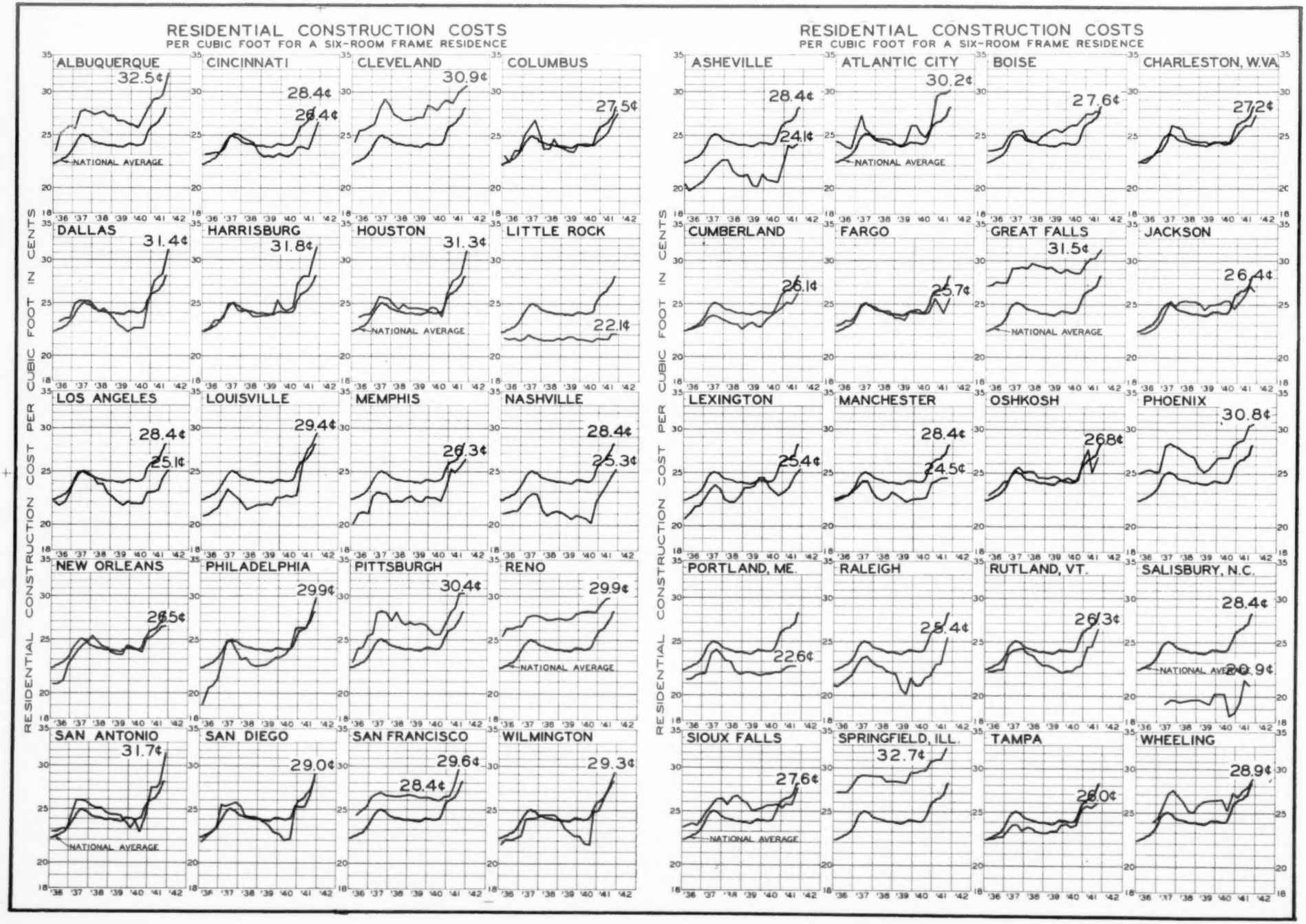
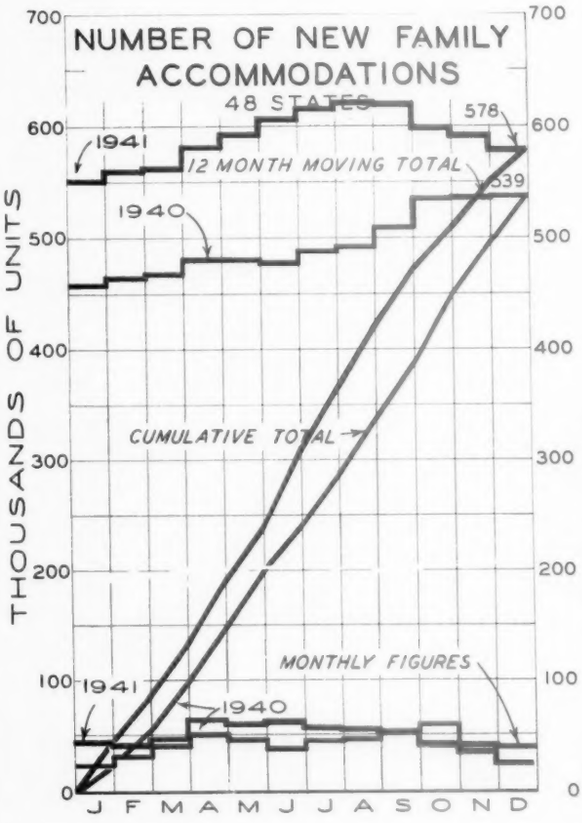



RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ALBUQUERQUE
32.5¢
NATIONAL AVERAGE
CINCINNATI
28.4¢
26.4¢
CLEVELAND
30.9¢
COLUMBUS
27.5¢
DALLAS
31.4¢
HARRISBURG
31.8¢
HOUSTON
31.3¢
NATIONAL AVERAGE
LITTLE ROCK
22.1¢
LOS ANGELES
28.4¢
25.1¢
LOUISVILLE
29.4¢
MEMPHIS
26.3¢
NASHVILLE
28.4¢
25.3¢
NEW ORLEANS
26.5¢
PHILADELPHIA
29.9¢
PITTSBURGH
30.4¢
RENO
29.9¢
NATIONAL AVERAGE
SAN ANTONIO
31.7¢
NATIONAL AVERAGE
SAN DIEGO
29.0¢
SAN FRANCISCO
29.6¢
28.4¢
WILMINGTON
29.3¢
'36 '37 '38 '39 '40 '41 '42
RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ASHEVILLE
28.4¢
24.1¢
ATLANTIC CITY
30.2¢
NATIONAL AVERAGE
BOISE
27.6¢
CHARLESTON, W.VA.
27.2¢
CUMBERLAND
26.1¢
FARGO
25.7¢
GREAT FALLS
31.5¢
NATIONAL AVERAGE
JACKSON
26.4¢
LEXINGTON
25.4¢
MANCHESTER
28.4¢
24.5¢
OSHKOSH
26.8¢
PHOENIX
30.8¢
PORTLAND, ME.
22.6¢
RALEIGH
25.4¢
RUTLAND, VT.
26.3¢
SALISBURY, N.C.
28.4¢
NATIONAL AVERAGE
20.9¢
SIOUX FALLS
27.6¢
NATIONAL AVERAGE
SPRINGFIELD, ILL.
32.7¢
TAMPA
28.0¢
WHEELING
28.9¢
'36 '37 '38 '39 '40 '41 '42

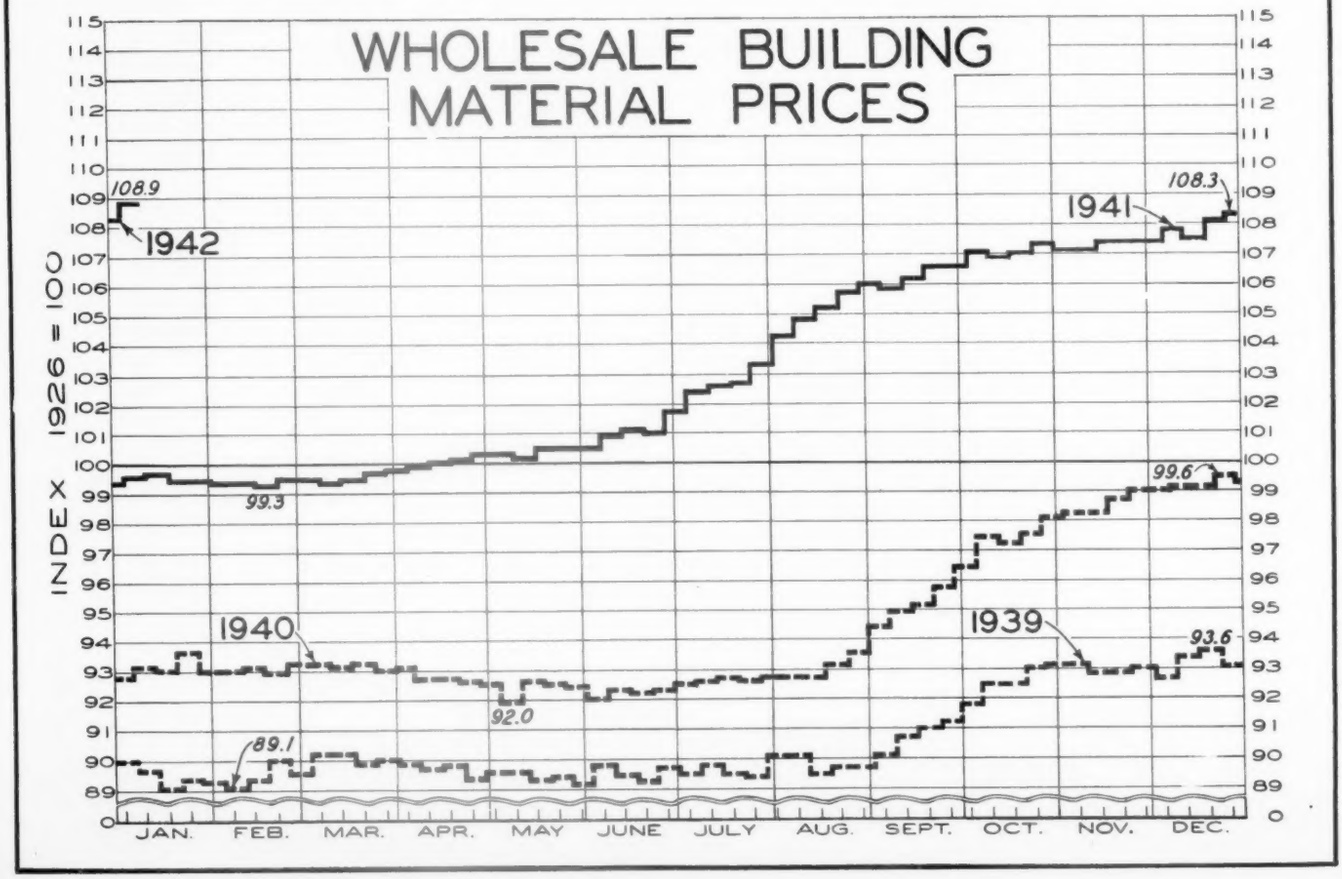


DWELLING UNITS CONSTRUCTED IN 48 STATES
(in thousands of units)

	Monthly			Cumulative			12 Month Moving Total		
	1939	1940	1941	1939	1940	1941	1939	1940	1941
January	30.1	25.7	40.4	30.1	25.7	40.4	345	461	553
February	29.2	33.7	40.2	59.3	59.4	80.6	359	465	560
March	39.4	42.0	45.9	98.7	101.4	126.5	375	468	564
April	36.6	51.1	63.6	135.3	152.5	190.1	386	482	576
May	49.6	49.1	57.9	184.9	201.6	248.0	409	482	585
June	40.6	38.8	61.5	225.5	240.4	309.5	422	480	608
July	38.1	48.9	57.0	263.6	289.3	366.5	423	491	616
August	46.2	49.4	54.8	309.8	338.7	421.3	435	494	621
September	35.7	53.0	52.1	345.5	391.7	473.4	435	511	620
October	36.1	62.4	42.2	381.6	454.1	515.8	439	537	600
November	42.5	42.7	36.5	424.1	496.8	552.3	450	538	594
December	40.9	41.9	25.7	465.0	538.7	578.0	465	539	578

THE number of new family accommodations built in all non-farm communities of the 48 states and the District of Columbia is shown in the table above and on the chart to the left. Cumulative totals and twelve month moving totals for 1940 (black) and 1941 (red) are given.

Wholesale building material prices as compiled by the Bureau of Labor Statistics are charted by weeks on the chart below. During October and November, building material prices moved sideways. Since early in December these prices have been gradually increasing. Because of the price ceilings which have been imposed, however, we do not believe that this is the beginning of a rapid rise such as took place in the summer of 1941.



JANUARY 28
1942

EXECUTIVE DIGEST

OF THE CURRENT REAL ESTATE ANALYST REPORTS

REAL ESTATE ANALYSTS, INC.

Real Estate Economists, Appraisers and Counselors

Roy Wenzlick
Editor

VOLUME XI

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REAL ESTATE ACTIVITY

It is quite difficult at the present time to forecast the course of real estate sales. All of the forces that are operating would naturally bring about a high level of real estate activity during the next few years. The entrance of the United States into the war, however, with strong governmental controls, may have a very marked effect on this line. It is quite interesting that so far the drop is not as great as we anticipated. The recovery peak in real estate activity was 23.6% above normal in October - with a current figure of 18.5% above normal.

REAL ESTATE MORTGAGES

We said last month that the volume of real estate mortgages would be down in the period immediately ahead, as mortgage volume depends on new construction and price changes in real estate. The drop, however, was moderate, as shown on the chart. Real estate mortgage activity is now 28.7% below normal, in contrast with a high last fall of 22.2% below normal. It will be noticed that mortgage activity during the entire period of recovery has not even approached the long-term normal line. This has been due to the fact that almost all mortgage activity in the recent past has been in single-family residences, with practically no financing of large buildings.

NEW DWELLING UNITS

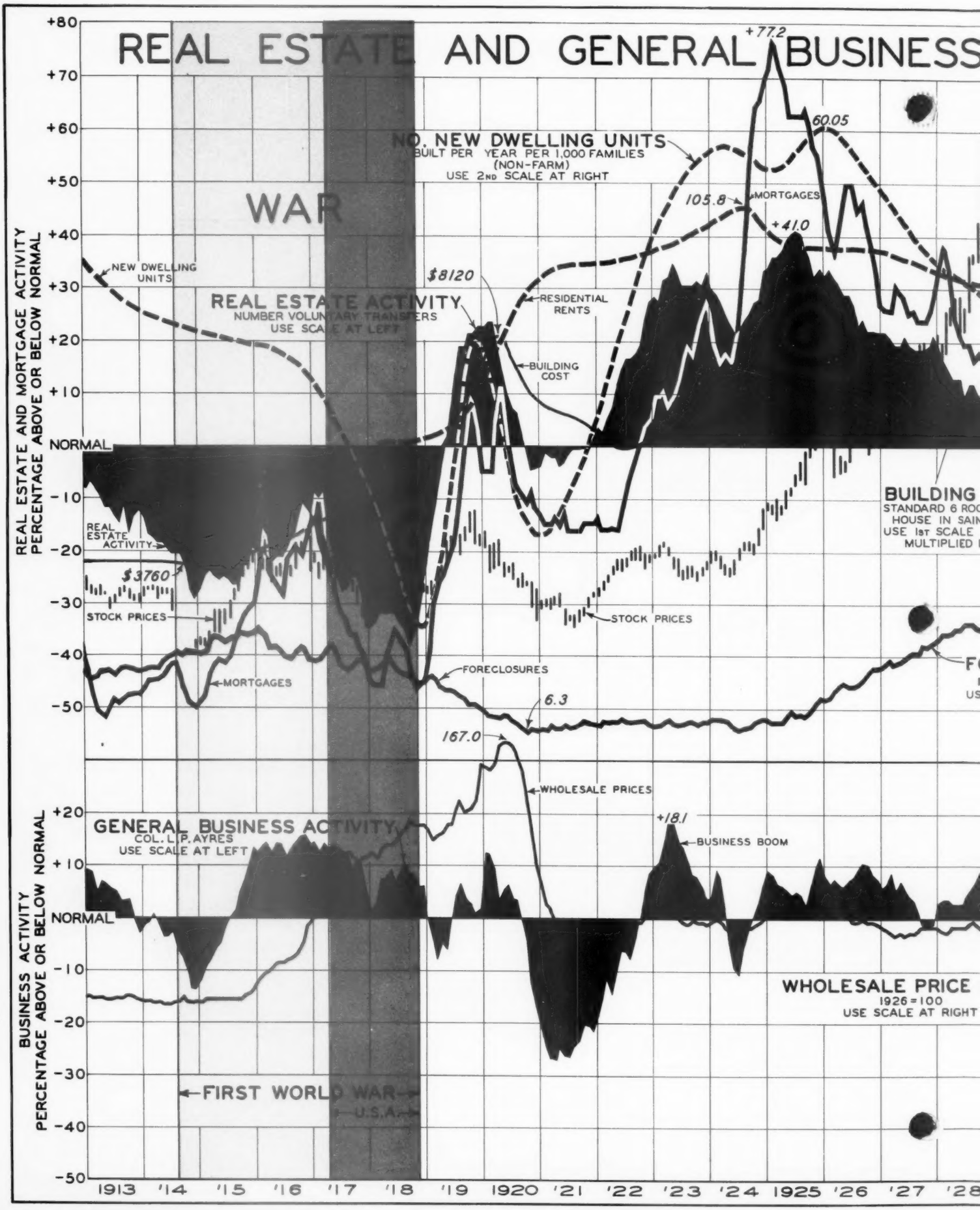
New residential building in the United States reached a peak last September with 29.7 new family accommodations built per year per 1000 families. It has now dropped to 27.5, and in our opinion this figure will continue to drop during 1942. Our guess would be that during 1942 we will build about 450,000 non-farm homes in the United States as against 578,000 homes during 1941. All of these homes will be in the lower price group and they will all be built in defense areas.

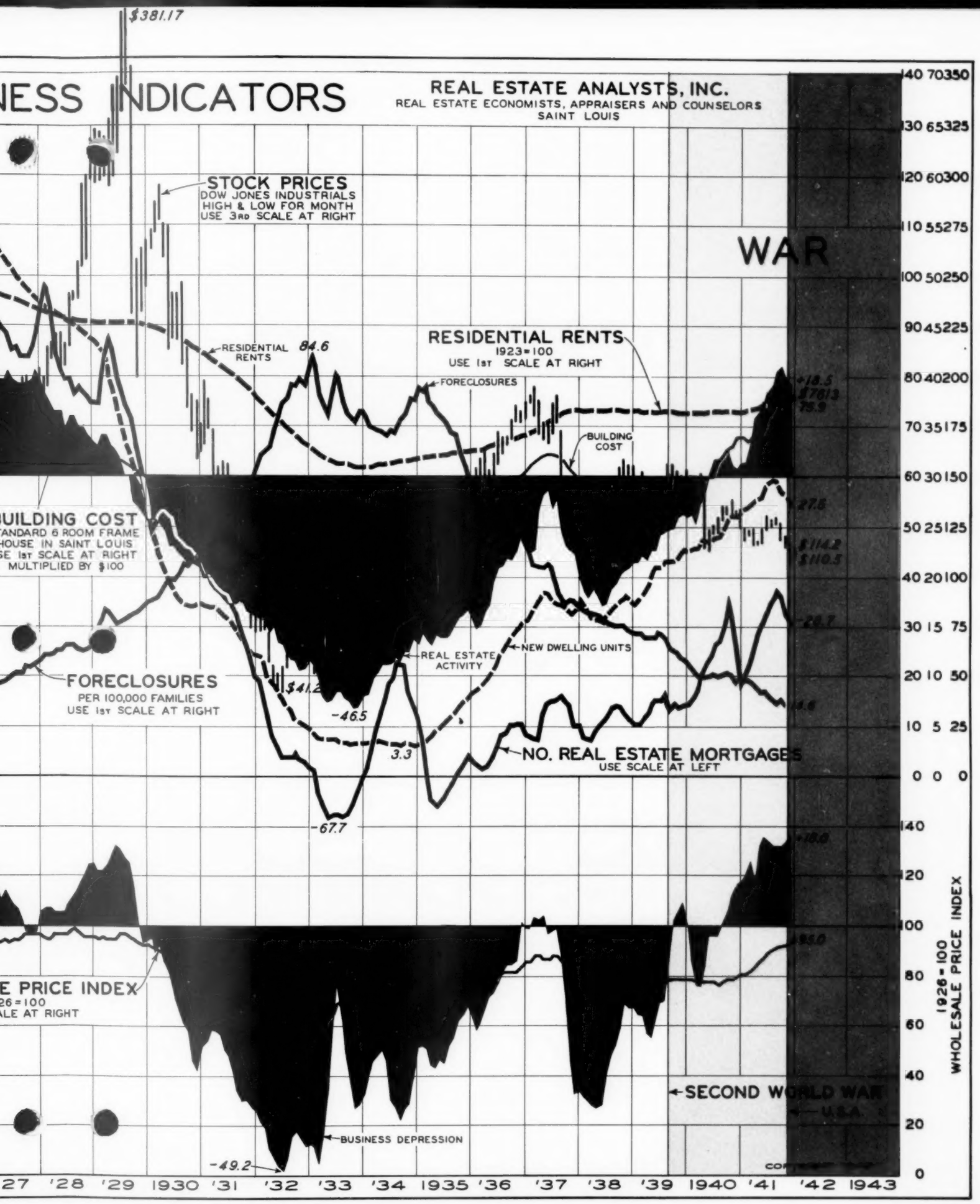
GENERAL BUSINESS

In spite of transitional unemployment, general business will advance markedly during the first six months of 1942. The pressure for war production is so great that it will be able to absorb all of those thrown out of employment in lines for which basic materials are unavailable.

COMMON STOCKS

It has not been the policy of Real Estate Analysts to forecast the stock market, but it is our impression that little permanent improvement can be expected in the earning records of large corporations because of the heavy tax load these corporations must carry. Amounts available for dividends will be less than the amounts paid in 1941.


REAL ESTATE AND GENERAL BUSINESS
WAR
NO. NEW DWELLING UNITS
BUILT PER YEAR PER 1,000 FAMILIES
(NON-FARM)
USE 2ND SCALE AT RIGHT
+77.2
60.05
105.8
MORTGAGES
+41.0
NEW DWELLING UNITS
$8120
REAL ESTATE ACTIVITY
NUMBER VOLUNTARY TRANSFERS
USE SCALE AT LEFT
RESIDENTIAL RENTS
BUILDING COST
REAL ESTATE AND MORTGAGE ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
+80
+70
+60
+50
+40
+30
+20
+10
NORMAL
-10
-20
-30
-40
-50
REAL ESTATE ACTIVITY
$3760
STOCK PRICES
MORTGAGES
FORECLOSURES
6.3
167.0
WHOLESALE PRICES
BUILDING
STANDARD 6 ROO
HOUSE IN SAIN
USE 1ST SCALE
MULTIPLIED
STOCK PRICES
GENERAL BUSINESS ACTIVITY
COL. L. P. AYRES
USE SCALE AT LEFT
+18.1
BUSINESS BOOM
BUSINESS ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
+20
+10
NORMAL
-10
-20
-30
-40
-50
WHOLESALE PRICE
1926=100
USE SCALE AT RIGHT
FIRST WORLD WAR
U.S.A.
1913
'14
'15
'16
'17
'18
'19
1920
'21
'22
'23
'24
1925
'26
'27
'28


$381.17
NESS INDICATORS
REAL ESTATE ANALYSTS, INC.
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS
SAINT LOUIS
STOCK PRICES
DOW JONES INDUSTRIALS
HIGH & LOW FOR MONTH
USE 3RD SCALE AT RIGHT
WAR
RESIDENTIAL RENTS
1923=100
USE 1ST SCALE AT RIGHT
RESIDENTIAL RENTS
84.6
FORECLOSURES
BUILDING COST
+18.5
$76.13
75.9
BUILDING COST
STANDARD 6 ROOM FRAME
HOUSE IN SAINT LOUIS
SE 1ST SCALE AT RIGHT
MULTIPLIED BY $100
27.5
$114.2
$110.5
28.7
FORECLOSURES
PER 100,000 FAMILIES
USE 1ST SCALE AT RIGHT
REAL ESTATE ACTIVITY
NEW DWELLING UNITS
$41.2
-46.5
3.3
NO. REAL ESTATE MORTGAGES
USE SCALE AT LEFT
-67.7
+18.0
95.0
E PRICE INDEX
26=100
ALE AT RIGHT
SECOND WORLD WAR
U.S.A.
BUSINESS DEPRESSION
-49.2
140 70350
130 65325
120 60300
110 55275
100 50250
90 45225
80 40200
70 35175
60 30150
50 25125
40 20100
30 15 75
20 10 50
10 5 25
0 0 0
140
120
100
80
60
40
20
0
1926-100
WHOLESALE PRICE INDEX
'27 '28 '29 1930 '31 '32 '33 '34 1935 '36 '37 '38 '39 1940 '41 '42 1943